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Risk Assessment, Fraud Detection and Prevention; Empirical Evidence from University of Eldoret Kenya

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Abstract

Internal controls help the institution to understand the organization's structure, work, and authority flows. They are designed to provide reasonable assurance regarding the achievement of operational objectives. Cases of fraud have significantly increased in public universities due to weakness of internal controls

functions. The study was conducted in order to determine the relationship between risk assessment. This study was founded on prospect theory. Descriptive survey research design was used. Target population was accountants and internal auditors, the accessible population had involve 34 accountants and internal auditors at the University of Eldoret. A pilot study was conducted in order to test the validity and reliability of the research questionnaire. Content validity was used as a validity test while reliability was tested using Cronbach's alpha coefficient. The study used primary data. Primary data was collected using structured questionnaires. Both descriptive and inferential statistics was used for data analysis. Descriptive statistical tools included frequencies, percentages, means, variances, and standard deviations. Inferential statistics included Pearson's Product Moment Correlation and multiple regression analysis. Findings revealed that risk assessment ($\beta_1 = 0.133$; $p < 0.05$), positively and significantly influence fraud detection and prevention in the institution. It was concluded that adequate internal controls could reduce fraud detection prevention. The study recommends that decision making and understanding how risk influences decisions is imperative. The study further recommends that the governing body, possibly supported by the audit committee, should ensure that the internal control system is periodically monitored and evaluated. The study findings will guide the institution to reduce variance in budgets through better reporting and budgetary control measures that reduces cases of fraud. It is expected that the findings will improve on internal controls in the organization.

1.0 INTRODUCTION

Risk assessment is the analysis of relevant risks, which can impair the achievement of objectives, forming a basis for determining the level of risks. Risks can be classified as inherent and control risks. Risk identification assesses the achievement of objectives in the institution, mechanisms are needed to identify and deal with the special risks associated with fraud and the impact on internal controls (Chemengich, 2013). Risks are assessed in order to determine the likelihood of an event occurring, the impact, and risk tolerance level, the accuracy of the assessment. Risks can be evaluated at the level of fraud related as high, medium, and low. In order to

determine whether risk assessment are effective, relevant risk information should be captured and communicated in a timely manner across the organization, enabling staffs and management to carry out their responsibilities (Loughran, 2010).

Fraud is an intentional, unlawful act that is covered up or misrepresentation that causes a loss. Fraud detection is to discover fraud and misconduct when it occurs and fraud prevention is to hinder a person from acting in fraudulent activities. Fraud can be in form of asset misappropriation, corruption and financial statement fraud. Deterrence and prevention involves good division of responsibilities, supervision of staff, monitoring work performance

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and putting measures in place to ensure that even when systems are accessed that there is proper control (Josiah, 2012). Fraud is one of the most perverse occurrences in public institutions, especially when the management is wanting in its abilities to ensure the safety of the organization's assets. Fraud occurs because of combination of opportunity that is it occurs when there is weakness in internal controls, pressure and rationalization. Fraud can affect a company's finances and its image negatively (Petrascu & Tieanu, 2014).

A report prepared by the Australian New South Wales Auditor-General in 2010 and submitted to State Parliament found that of the 57 agencies and universities, most have ineffective fraud control policy. PwC Global Economic Crime Survey found that 90% of external fraud and 40% of internal fraud is detected by internal controls, audit, and investigation. The recent update to the Commonwealth Fraud Control Guidelines of 2011 bring them in line with Australian Standard 8001 Fraud and Corruption Control and provide a more comprehensive fraud risk framework. This internal threat is significantly higher in the public sector than in most other sectors. In Canada, the 2014 CSA Investor Study on "Understanding the Social Impact of Investment Fraud revealed that more than one million Canadians, that is one in five Canadians, have reported having been a victim of investment fraud. Implementing an effective prevention and protection program is an important safeguard to protect institutions of higher learning against the kind of financial cost arising from a conviction or damage to reputation (Giriunas, 2012).

Rhodes (2017) State ethics watchdog in US concluded that Northern Illinois University spent more than 1 million dollars in taxpayer's funds in operations of the institution. University hired consultants and ignored competitive biddings laws and pay travel and accommodation allowances, which is against university laws. According to the report, they were paid more than \$400,000 for 15 and 18 months of work, making them among the highest paid university employees. Another employee collected more than \$23,000 salary for 30 days of work. Additionally, the report states that the university wrongly spent tens of thousands of dollars to pay for the employees' travel and on-campus lodging. The university wrongly employed consultants under wrong classification then kept them on staff payroll for long, paying them well in excess of allowable limits.

The public resources lost each year in Nigeria through fraud runs into billions of naira. There is a rising rate as witness it day-to-day reportage on media and treasury that universities management operates business to their own benefit. Poor funding

and mismanagement of funds within the educational system has led to the dysfunctional and unethical practices that have generated limitations across Nigeria's education system, especially in higher education. The inadequate implementation of budgetary allocations has led to incidence of loss of funds, sustaining the efforts of higher education institutions for national development is determined by the adequate funds that are devoid of misappropriation and mismanagement (Ekanokumo & Kemebaradikumo, 2014).

Ugandan academic institutions misappropriation of funds is high because of the weak control environment. Most common are cheque frauds and exploitation of assets (Rumney, 2016). The use of ghost workers is increasing and it is explained as an act whereby payroll clerk adds on the list of employees, workers who do not exist. After that, the clerk starts to make salary payments to him/her in cash or straight to his/her personal account. A statistical abstract from 2015 shows that in Uganda the unemployment rate is high especially among the youths. 19.7 % of staff salaries are extremely low that has led the people to try to find ways to get more income. This means employees are driven to seek ways to misappropriation of assets from the institution hence have straight impact on tax revenues. The institution lack in performance, finance and the overall welfare of the work community this means transparency of organizations is low (Kultanen, 2017).

Institutions of higher learning in Puntland state of Somalia still struggle with liquidity problems, and accountability for financial resources. Misuse of institutional resources has been unearthed and a number of decisions made have not yielded the expected results. It is not clear whether the systems of internal control help them to achieve the various financial goals. These goals include cost efficiency, cash flow management, fees collections, effectiveness, and efficiency of operations and asset maintenance and income management. Their research therefore attempted to investigate the persistent poor financial performance. Inadequate security measures to safeguard the assets of the university and fees charged to students are not appropriate. The internal audit departments are inefficient; conduct irregular audit activities hence hinder periodic reports. Internal controls are not monitored in order to assess the quality and the effectiveness of systems and performance over time (Abdullahi & Muturi, 2016).

Price Waterhouse Coopers (PWC) (2014) Internal Audit Profession survey spotlights identifies the growing trend of misappropriation of funds in institutions of higher learning. The internal audit role as a trusted advisor within the organization

when they are able to bring the right attributes to bear. Institutions should continue to seek synergies among institutional compliance, internal audit, and risk management functions. The report stated that the weakness of internal controls leads to inefficiency and ineffectiveness of public funds in funding institutions. Internal controls was monitored in order to assess the quality and the effectiveness of systems performance over time. The most important purpose of the annual report is the government is informed about the financial statements.

In 2011, many universities in Kenya were said to have lost a lot of income mainly due to fraudulent activities where students were said to have come up with a way of presenting fake bank slips as a method of fees payments. In this case, the university involved was reported to have lost more than 7 million Kenya shillings (Maitai, 2016). Another university was reported to have lost several millions when one administrator opened an account in the name of a university therefore defrauding both the students and the institution a total of up to 35.3 million Kenyan shillings (Wairimu, 2012). Kenyatta University was slammed in March 2016 for offering its retiring vice-chancellor a package worth the equivalent of US\$1 million. The institution said it wanted to reward for excellent work during a decade at the helm. She declined the money. Since the government ratified her appointment, she considered herself a public servant who was merely doing her job.

Statement of the Problem

Internal controls are designed to provide reasonable assurance regarding the achievement of operational objectives such as effectiveness and efficiency of operations, accurate and reliable financial reports, and compliance with applicable laws and regulations. It safeguards resources against loss due to waste abuse, mismanagement, errors, and fraud (Thomson, 2015). However, embezzlement of funds in institutions of higher learning is still rampant, which are put in place and structured to deal with elements of fraud detection and prevention (Kamau, 2014). Embezzlement of funds in institutions of higher learning leads to high liquidity problems, thus, arrears in part – time payment of lecturers, stalled development projects, lack of expansion and some being declared technically insolvent.

A study by Owalla (2015) on effectiveness of internal audits in public educational institutions in Kenya recommends that management training courses to involve the function of internal audit and boardroom diversity enhanced not only to improve on the management function but also on the audit function. Modibbo (2015) study impact of internal audit unit on the effectiveness of internal control

system of tertiary educational institutions recommends that internal audit unit should be established as a separate department to serve as custodian of internal control system. Munene (2013) studied on effects of internal controls on financial performance of technical training institution and there was lack of information sharing and adequate measures to safeguard assets in the institution. However, most studies did not discuss the internal controls in institutions of higher learning. Therefore, this study determined the effect of internal controls on fraud detection and prevention at university of Eldoret, Kenya.

Objective of the Study

The study was to determine the effect of risk assessment on fraud detection and prevention at University of Eldoret, Kenya.

2.0 THEORY AND HYPOTHESIS DEVELOPMENT

Prospect Theory

Prospect theory was developed in 1979 and advanced in 1992 by Daniel Kahneman and Amos Tversky. It is a behavioral economic theory that describes the way people choose between probabilistic alternatives that involve risk, where the probabilities of outcomes are known. The theory states that people make decisions based on the potential value of losses and gains rather than the outcome, and that people evaluate these losses and gains using certain heuristics. The model is descriptive: it tries to model real-life choices, rather than optimal decisions, as normative model. Tversky and Kahneman proposed that losses cause greater emotional impact on an individual than does an equivalent amount of gain. Therefore, given choices presented two ways with both offering the same result an individual pick the option offering perceived gains (Kahnemann, 2011).

Prospect Theory explains and suggests why people make decisions given a set of probabilistic outcomes weighted with risk. Consumer economics is the study of decision-making, and understanding how risk influences decisions is imperative. Even greater than expected utility theory, prospect theory shows exactly what people actually do instead of presenting a theory of what people should do. In financial planning, risk and risk evaluation are two of the greatest factors when determining a financial plan for an individual or organization. As financial policy makers, it is also important to understand the factors that influence the company wide decisions as well as risk management. Risk is assessed in order

to determine the level of risk response of the organization. In order to determine whether risk management are effective, relevant risk information should be captured and communicated in timely manner across the organization (Wakker, 2010).

An important implication of prospect theory is that the way economic agents frame an outcome in their mind hence affects the utility they expect or receive. It is a behavioral model that shows how people decide between alternatives that involve risk and uncertainty (likelihood of gains or losses), demonstrates that people think in terms of expected utility relative to a reference point rather than absolute outcomes (Chernousor, 2012). Prospect theory was developed by framing risky choices, and it indicates that people are loss-averse, and since individuals dislike losses more than an equivalent gain, they are more willing to take risks, in order to avoid a loss. Due to the biased weighting of probabilities and loss aversion, the theory leads to the following pattern in relation to risk. The theory explains biases that people rely on when making decisions: one is the isolation effect that refers to people tendency to disregard elements and focus on what differs, secondly loss aversion and certainty. Theory has produced and unmatched yield of new insights and predictions of human behavior in decision-making and the level of risk mitigation (Harley, 2016).

Prospect theory assumes that losses and gains are valued differently, and thus individuals make decisions based on perceived gains instead of perceived losses. It also assumes that individuals make rational decisions that provide the greatest amount of utility in any circumstance. Assumes that outcomes are weighted by their probabilities and the outcomes are examined and analyzed. Critics from the field of psychology argued that even if Prospect Theory arose as a descriptive model, it offers no psychological explanations for the processes stated in it. Furthermore, factors that is equally important to decision making processes, have not been included in the model, such as emotion (Zhang, 2012).

The Fraud Triangle Theory

American sociologist Cressey first coined fraud triangle in 1950. It is composed of three elements, namely a perceived pressure, a perceived opportunity, and rationalization of the act of fraud. The elements in the fraud triangle are interactive, for instance the more intense the pressure, the greater the perceived opportunity or the less rationalization it takes someone to commit fraud (Albrecht, Turnbull, Zhang, & Skousen, 2010). However, fraud is a complex matter and is a function of a combination of factors (Rae & Subramaniam, 2008).

For instance, although internal controls were poor in some cases, there were no incidence of fraud, while in other cases even though good internal controls existed, employees still managed to circumvent the internal controls to commit fraud (Rae & Subramaniam, 2008).

An understanding of how opportunities, pressures, and rationalizations contribute to fraud in organizations can assist management to easily recognize the areas of susceptibility to fraud and strengthen these areas (Albrecht et al., 2010). Fraud perpetrators must have some way to rationalize their actions as acceptable (Albrecht et al., 2009). Justification of fraudulent behavior is usually because of a fraudster's lack of personal integrity or other moral reasoning (Rae & Subramaniam, 2008). Individuals do not commit fraud unless they can justify it as being consistent with their own personal code of ethics, as personal integrity may be the key limiting factor in keeping a person from misappropriating assets. Rationalization by fraudsters emanates from their feeling that the victims owe them and that they deserve more than they are getting (Kabuse, 2017). Some individuals possess an attitude, character or set of ethical values that allow them knowingly and intentionally commit a dishonest act (Cohen et al., 2011). A strong moral code can prevent individuals from using rationalizations to justify illicit behavior; internal auditors however should assume that anyone is capable of justifying the commission of fraud.

According to Mansor, Abdullahi & Nahu (2015) opportunity is created by ineffective control or governance system that allows an individual to commit organizational fraud; individual's takes opportunity of internal control weakness. It also assumes that employees are not checked regularly. Rationalization is a justification of fraudulent behavior because of an employee's lack of personal integrity or other moral reasoning. Ethical behavior is motivated both by a person's character and by external factors like job insecurity, redundancy, and work environment. Perpetrators belief that pressure leads to unethical behavior, it can be personal or corporate. Examples of rationalization are I was underpaid or my employer cheated me.

Influence of Risk Assessment on Fraud detection and Prevention

Makhooane (2011) conducted a study on fraud and corruption risk policies and procedures at institutions of higher learning in Nigeria. It was found that out of eleven institutions of higher learning investigated only one institution meets the criteria set out in the framework developed in the research as an assessment tool. The other institutions

involved in the research did not have fraud and corruption risk management policies and therefore did not comply with the public finance management Act. However, the researcher should have measure the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulation in order to determine level of fraud in the institution.

Wainaina (2011) conducted a study on evaluation of the internal control function a case of Kenya polytechnic university college. This study found that some major independent variables were not quite functional and risk evasiveness was not well factored in. In addition, most controls that are dysfunctional can be majorly attributed to the management and failure of technology because it is not fully implemented. The researcher in this study should have indicated all measures of identifying risk, management response, and structure proper internal controls to enhance operational efficiency and effectiveness, reliability of financial statements. Sanusi (2015) conducted a study on effects of internal fraud motives and experience in assessing likelihood of fraud risk in Malaysia. This study found that the largest weakness in the employee fraud risk practices relates to providing employees with training in their risk management programs. Seemingly, related deficiencies are also indicated in both employee understanding of how their job procedures are designed to manage fraud risks and the ability of employees to recognize basic

indicators of fraud. Despite the findings assessing the likelihood of fraud, the researcher could have indicated measures of risk to support the level of risk assessment.

Joseph, Albert & Byaruhanga (2015) studied the effect of internal control on fraud detection and prevention in district treasuries of Kakamega County. The study found that there was a statistically significant and positive relationship between the adequacy of internal control systems and fraud prevention and detection. It recommends that risk management is effective and efficient and the tolerance level can be determined.

H₀₁: There is no significant relationship between risk assessment and fraud detection and prevention at University of Eldoret, Kenya

Conceptual Framework

A conceptual framework is a concise description of a phenomena usually aided by graphic of major variables of the study. It shows the interaction of variables under study (Mugenda, 2008). The study had risk management, monitoring and assurance, information and communication, and control environment as the independent variables while fraud detection and prevention at University of Eldoret, Kenya as dependent variable (Figure 1). It is hypothesized that the independent variables influence the dependent variables.

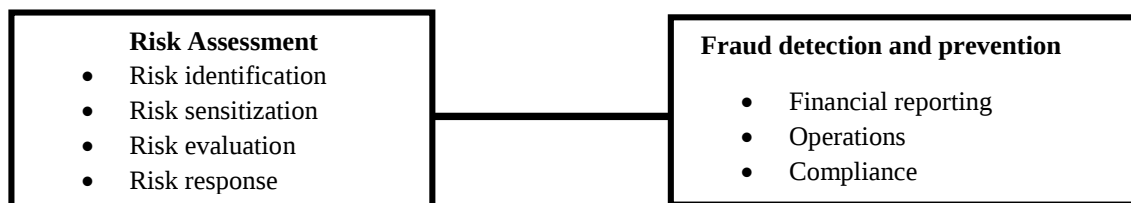


Figure 1.1; Conceptual Framework

3.0 RESEARCH METHODOLOGY

Research Design

This study used a descriptive survey research design. The importance of this research design would help because it accumulates findings from all forms of data while providing answers to various aspects being studied because of numerical and observational element is involved.

Population of the Study

Target population of this study comprises of all accountants and internal auditors in Kenya.

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Accessible population was accountants and internal auditors of the University of Eldoret.

Census Survey

The study used census survey. A census survey collects complete information from all participants in the population. Its enable rare population and small groups. The study targets 34 accountants and auditors as respondents from University of Eldoret.

Data Collection Instruments

The study used self-administered questionnaire in order to gather primary data on internal controls on fraud detection and prevention. The questionnaire

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was based on a Likert scale while others were factual questions aimed at avoiding perceptions and bias. Such information is best described through questionnaires (Kothari, 2004).

Pre-Testing of Research Instruments

The pilot study refers to a small-scale preliminary study conducted in order to evaluate feasibility prior to performance of full-scale research. A pilot study was conducted to test the validity and reliability of research questionnaire. It involves 10% of the size of sample population (Kothari, 2004).

Validity

Validity is the degree to which findings truly represents the phenomenon you are claiming to measure. It ensures program operates on clean, correct, and useful data (Ofanson & Aigbokhaevbolo, 2006). Content validity of research questionnaire was enhanced by requesting industry experts and the supervisor to express an opinion on the terminologies used in the questionnaire.

Reliability

Reliability is the consistency with which a research instrument measures the content area it is intended to measure. The coefficient ranges from minimum (0.00) to maximum positive (1.00). A Cronbach alpha of 0.7 was the benchmark of deciding whether the instrument is reliable. A coefficient above or equal to 0.70 is considered sufficient for most cases (Sreevidya & Sunitha, 2011).

Data Collection Procedures

After testing the validity and reliability of the research questionnaire, the researcher sought the consent of Jomo Kenyatta University of Agriculture & Technology and the management of various Universities within Eldoret Town. The research questionnaires were then be administered on the sampled respondents by the researcher in person.

Data Processing & Analysis

Analysis was through descriptive and inferential statistics. In particular, descriptive statistics include use of mean, frequencies and standard deviations. Inferential statistics include use of regression and correlation analysis. The tool of analysis used is statistical Package for Social Science (SPSS V.20). The results was presented using tables, pie charts and graphs to give a clear picture of the research findings at a glance. The following multiple regression was used;

$$Y = \beta_0 + \beta_1 X_1 + \epsilon \dots \dots \dots \text{Equation 3.1}$$

Where: Y represents (fraud prevention and detection)

β_0 represents the y-intercept

β_1 , -represents coefficients of risk assessment

X_1 represents risk assessment

ϵ represents the random error term

4.0 FINDINGS AND DISCUSSIONS

Descriptive Statistics

Response Rate

In this study, 34 questionnaires were administered on the sampled respondents who participated in the study out of personal consent. All the questionnaires were handed over to accountants and internal auditors were duly filled and returned to the researcher or research assistant. The response rate was suitable for the study as it was above the 70% threshold desired for external validity (Kothari & Gang, 2014).

Reliability Test Results

This study assessed the internal consistency of the research questionnaire. The results of analysis are shown in Table 4.1.

Table 4.1: Reliability of the Research Questionnaire

Variables	Test Items	Cronbach's Alpha
Risk assessment	4	0.802
Fraud detection and prevention	4	0.814

It is shown that risk assessment had a Cronbach's alpha coefficient (0.802), with 4 test instruments. This implies that the research questionnaire meets the threshold as all the five constructs had Cronbach's alpha coefficients greater than 0.7.

Descriptive Findings and Discussions

The study examined the opinions of the accountants and internal auditors of the institution on internal controls. The findings are in line with five point Likert scale where it ranges from 1 to 5 representing strongly disagree to strongly agree respectively. The statistics used were: minimum, maximum, mean, standard deviation and variance.

The study sought the views of the respondents' opinion on risk assessment. The results are presented in Table 4.2

Table 4.2: Descriptive Statistics for Risk Assessment

	N	Min	Max	Mean	Std Dev
i. Risks that affect the achievement of objectives in the organization are usually identified	34	2	5	4.382	.652
ii. Mechanisms have been put in place to sensitize staff on fraud related activities	34	1	5	3.735	.963
iii. Criteria for evaluating the level of fraud related risks have been established	34	2	5	4.029	1.114
iv. Measures of responding to fraud related risks have been clearly indicated in the organization	34	1	5	3.971	.937

It was noted that respondents were in agreement that risks that affect the achievement of objectives in the organization are usually identified (mean = 4.382; std dev = .652; variance = .425). It was established that respondents agreed that criteria for evaluating the level of fraud related risks have been established (mean = 4.029; std dev = 1.114; variance = 1.242). Respondents also agreed that that measures of responding to fraud related risks have been clearly indicated in the organization (mean = 3.971; std dev = .937; variance = .875). It was also agreed that mechanisms have been put in place to sensitize staff on fraud related activities (mean = 3.7353; std dev = .963; variance = .928). These findings concurred with the findings of a study by Joseph, Albert, & Byaruhanga (2015) which established that there was a statistically significant and positive relationship between the adequacy of internal control systems and fraud prevention and detection. Risk management is effective and efficient and the tolerance level can be determined.

Inferential Analysis

This section presents correlation analysis involved in examining the relationship the independent variables and dependent variables. The effect of transform independent variables on the dependent variable was established through both correlation and multiple regression analysis.

Relationship between Risk Assessment and Fraud Detection and Prevention

Table 4.18: Multiple Regression Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.635 ^a	.415	.400	.46875

a. Predictors: (Constant), Risk assessment b. Dependent Variable: fraud detection and prevention The findings indicated that the relationship between the risk assessment focused on this study and fraud detection and prevention was positive ($R = 0.635$). This study also noted that 41.5% of the variation in fraud detection and prevention is explained by risk assessment, ($\text{adj } R^2 = 0.400$). The results imply that risk assessment focused on this study determine the fraud detection and prevention. Further, the standard

The study tested the relationship between risk assessment and fraud detection and prevention at University of Eldoret. The correlation analysis results presented in Table 4.3.

Table 4.3: Risk Assessment Correlation Analysis

Fraud detection and prevention

Risk assessment	Pearson Correlation
	.059
Sig. (2-tailed).	.007

**. Correlation is significant at the 0.05 level (2-tailed).

Pearson correlation coefficient (R) was used to show the direction and strength of the relationship between the independent variables and the dependent variable. The study findings indicate that the relationship between risk assessment and fraud detection and prevention was positive and significant ($r = .059$; $p < 0.05$). This implies that risk assessment significantly influence fraud detection and prevention.

Multiple Regression Analysis

The study established combined effect of risk assessment and control environment on fraud detection and prevention. The results of multiple analysis shown in Table 4.18.

error in the model is used to predict fraud detection and prevention.

Assessing the Fit of the Multiple Regression Model

The study sought whether the multiple regression model was fit for the data. The Analysis of Variance (ANOVA) was conducted in order find out fraud detection and prevention can be predicted without relying internal controls examined in the study. The results of (ANOVA) are presented in Table 4.4.

Table 4.4: Results of ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.782	4	0.695	3.165	.028 ^a
Residual	6.372	29	0.220		
Total	9.154	33			

The study findings indicate that the relationship between the independent variables and the dependent variable was statistically significant ($F = 3.165$; $p < 0.05$). This study implies that the multiple regression model was a good fit for the data. Moreover, risk assessment, monitoring and assurance, information and communication and control environment influence fraud detection and

prevention hence accountants and internal auditors should put emphasis on them.

Regression Coefficients

The study also conducted the t-test of statistical significance of each individual regression coefficient. The findings of analysis are presented in Table 4.5.

Table 4.5: Evaluating Individual Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
(Constant)	.679	1.243		2.492	.041
Risk assessment	.133	.195	.473	2.934	.008

a. Dependent Variable: fraud detection and prevention

The findings indicate that risk assessment is a significant predictor of fraud detection and prevention in the institution ($t = 2.934$; $p < 0.05$). Therefore, the study rejected the null hypothesis that there is no significant relationship between risk assessment and fraud detection and prevention at University of Eldoret, Kenya at a significance level of 5%. It was concluded that there is significant relationship between risk assessment and fraud detection and prevention at University of Eldoret, Kenya.

The results of the t-test of individual regression coefficients, it was clear that all independent variables and the constant would be included in the regression equation.

Regression Model

The regression function shown in Equation 4.1 was used to explain results of regression analysis.

$$Y = 0.679 + 0.133X_1 \dots \dots \dots \text{Equation 4.1}$$

The results implies that improving risk assessment by 1 unit enhances the fraud detection and prevention by 0.133 units. The findings from the multiple regression analysis support the propositions of the theories that this study. The prospect theory of

probabilistic alternatives that involve risks in decision making and understanding how risk influences decisions is imperative through risk assessment by the study results

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

It was noted that accountants and internal auditors agreed mechanisms have been put in place to sensitize staff on fraud related activities. The accountants and internal auditors were in agreement that measures of responding to fraud related risks have been clearly indicated in the organization. It was established that risks that affect the achievement of objectives in the organization are usually identified. It was noted that criteria for evaluating the level of fraud related risks have been established. The study findings indicate that the relationship between risk assessment and fraud detection and prevention was positive and significant. It was noted that improving risk assessment leads to significant enhancement of fraud detection and prevention. These findings on effect of risk assessment on fraud detection and prevention support prospect theory which ensures relevant risk information is captured.

Conclusions

The study concluded that there is positive and significant relationship between risk assessment on fraud detection and prevention in the university. Risks that affect the achievement of objectives in the organization are usually in order. Majority of the respondents clearly indicated that mechanisms have been put in place to sensitize staff on fraud related activities. The study inferred that criteria for evaluating the level of fraud related risks have been established properly in the university. Risk assessment was effective in the institution in detecting and preventing fraud. Most respondents indicated that measures of responding to fraud related risks were clearly indicated in the institution.

Recommendations

The recommendations were made in respect of study findings. The recommendations were also in line with policy formulation and practice, theories and research studies.

Recommendations on policy formulation and practice

The study sought number of recommendations based on the outcomes also in line with the objectives. It is recommended that, risks are effectively assessed and managed, laws and regulations strictly complied

with. Create awareness as to the level of internal controls which have been put in place. The study recommends that the institutions establish a strategy for improving the generation of additional finances for the operations of the university. This could be done through writing projects other competitive endeavor's which are directly aimed at winning funds for the universities.

Recommendations on Theories

The study found out that risk assessment on fraud detection and prevention. The prospects theory explains why people make decisions given a set of probabilistic outcomes weighted with risk. Risk is assessed in order to determine the level of risk response of the organization. Hence, the study recommends that risk evaluation and response on assessment does not have impact on the study in the institution.

Suggestion for Further Research Studies

The study recommends further research on a number of areas; Effects of international public sector accounting standards (IPSAS) adoption on the relationship between internal controls system and fraud detection and prevention. Role of forensic auditing in strengthening internal controls system on fraud detection and prevention in public institutions.

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